

ENACTED TAX LEGISLATION – 2015 SESSION
General (non-emergency) effective date: October 15, 2015

(Includes legislation enacted in prior sessions that become effective beginning in 2015)

1) Administrative Provisions

National criminal history record information. 36 M.R.S. § 194-B has been clarified to require prospective employees in the Maine Revenue Services' Office of Tax Policy to consent to a fingerprint-based national criminal history record check prior to employment. The law also expands the current law to require the State Tax Assessor to obtain national criminal history record information for any person who provides, or is assigned to provide, services to Maine Revenue Services under a contract or subcontract that the assessor determines involves access to the bureau's information technology systems or to confidential taxpayer information. 36 M.R.S. §§ 194-B and 194-C; LD 1411, PL 2015, c. 300, Pt. B, §§ 6 through 10.

Legislative Reporting. The law that requires the Department of Administrative and Financial Services, Bureau of Revenue Services, Office of Tax Policy to report on implementation of the educational opportunity tax credit by March 1, 2021 is amended to require that the report include an analysis of the costs of the credits claimed and the impact of the program on job creation in the State. 20-A M.R.S. § 12545; LD 1452, PL 2015, c. 328, § 1.

Tax expenditure review. In 2014, the Office of Program Evaluation and Government Accountability ("OPEGA") was charged with developing a proposal for a process for ongoing review of tax expenditures by the Legislature. Based on that proposal, the Legislature has enacted a review process set to start in 2016. According to the process, OPEGA will provide the Legislature with tax expenditure evaluations on a yearly basis, including stakeholder input, advising whether each expenditure is meeting its original purpose. The Legislature must review the expenditures and determine whether the purpose, intent and goals are being achieved, and whether each expenditure is targeting the intended beneficiaries. Legislation may be proposed to address any issues identified by the review. The schedule for the review of expenditures is to be established by October 1, 2015 and annually updated as needed. LD 941, PL 2015, c. 344.

2) General

Conformity. References to the United States Internal Revenue Code of 1986 contained in the Maine Revised Statutes, Title 36 are updated to refer to the United States Internal Revenue Code of 1986 as amended through December 31, 2014. Changes regarding Maine tax treatment of federal bonus depreciation, and the extension of the Maine capital investment credit for taxable years beginning in 2014 (only), are summarized in the income tax changes section below. The bill primarily affects the State's income tax laws. Applies to tax years beginning on or after January 1, 2014, and for any prior tax year as specifically provided by the United States Internal Revenue Code of 1986 as amended. 36 M.R.S. § 111(1-A); LD 138, PL 2015, c. 1.

Confidentiality. The provision allowing for the disclosure of benefit information under the Circuitbreaker Program to a representative of a municipality that has adopted a municipal property tax assistance program is repealed since benefits are not allowed under the Circuitbreaker Program for claims filed on or after August 1, 2013. 36 M.R.S. § 191(2)(HH); LD 1411, PL 2015, c. 300, Pt. A, § 5.

3) Individual Income Tax

Changes applicable to tax years beginning in 2014

Bonus depreciation. For tax years beginning in 2014, Maine decouples from the federal bonus depreciation under IRC § 168(k). The net increase in federal depreciation claimed due to bonus depreciation must be added back to income for Maine income tax purposes. For property placed in service in Maine, the Maine capital investment credit is extended, with some modifications, for tax year 2014. In tax years after 2014, the addition modification related to property not subject to the Maine capital investment credit will be recaptured through subtraction modifications. 36 M.R.S. §§ 5122(1)(II) & 5122(2)(NN); LD 138, PL 2015, c. 1, §§ 4 & 7.

Maine capital investment credit. The Maine capital investment credit is extended to tax years beginning in 2014. The credit is equal to 9% of the bonus depreciation addition modification required under 36 M.R.S. § 5122(1)(II)(1) related to property placed in service in Maine. The credit does not apply to the Maine financial institutions franchise tax and is prohibited with respect to certain property. 36 M.R.S. § 5219-MM; LD 138, PL 2015, c. 1, § 14.

Changes applicable to tax years beginning in 2015

Sales/use tax. In certain circumstances, individuals may report Maine use tax and the tax on casual rentals of living quarters on the individual income tax return. The general sales/use tax rate and the tax rate on casual rentals of living quarters were scheduled to decrease on July 1, 2015 (PL 2013, c. 368, Part M), but legislation has now been enacted that retains the general sales/use tax rate of 5.5% for purchases made on or after July 1, 2015 and the 8% rate on casual rentals of living quarters through December 31, 2015. The rate on casual rentals of living quarters increases to 9% beginning January 1, 2016. 36 M.R.S. §§ 1811; LD 1019, PL 2015, c. 267, Pt. OOOO, § 5.

Tax rate schedules for tax year 2015. The tax rate schedules applicable to tax years beginning in 2014 also apply to tax years beginning in 2015. 36 M.R.S. § 5111, sub-§§ 1-D, 2-D and 3-D; LD 1509, PL 2013, c. 368, Pt. Q.

Gains from the sale of timberlands. For tax years beginning on or after January 1, 2015, an income subtraction modification is provided in an amount equal to 6 2/3% of the gain realized on the sale of eligible timberlands held by the taxpayer for at least a ten-year period beginning on or after January 1, 2005. The modification is increased incrementally by 6 2/3 percentage points

for each additional year beyond the tenth year the property is held by the taxpayer, up to 100%. The modification may not reduce Maine adjusted gross income to less than zero; however, unused portions may be carried forward for up to ten years. 36 M.R.S. § 5122(2)(U); LD 1305, PL 2005, c. 416.

New markets capital investment credit. Any income recognized on a taxpayer's federal tax return from the new markets capital investment credit is subtracted from federal adjusted gross income for state income tax purposes. Because 2014 is the first tax year taxpayers could claim the refundable credit, tax year 2015 is the first year the subtraction modification is available. 36 M.R.S. § 5122(2)(KK); LD 1749, PL 2011, c. 644, § 19.

Educational opportunity tax credit. For tax years beginning on or after January 1, 2015, the law eliminates the requirement that a qualified individual work for an employer located in Maine. However, the employee must work in Maine, except that an employee may work outside of Maine for up to 3 months during the tax year and still be considered to have worked in Maine during those months. An employee that works in Maine for only part of a month will be considered to have worked in Maine for the entire month.

Also, for tax years beginning on or after January 1, 2015, the credit is extended to self-employed individuals making eligible payments on education loans obtained for an associate or bachelor's degree they earned. 36 M.R.S. § 5217-D; LD 1718, PL 2013, c. 525.

Dental care access credit. The Maine dental care access credit is available only for eligible dentists certified through 2015. No dentists may be certified after 2015 and the credit is repealed December 31, 2020. 36 M.R.S. § 5219-DD; LD 164, PL 2011, c. 434.

Primary care access credit. For tax years beginning on or after January 1, 2015, the primary care access credit is expanded to include currently practicing professionals certified by the Department of Health and Human Services. The credit was previously limited to new practitioners. 36 M.R.S. § 5219-LL; LD 740, PL 2015, c. 108.

Voluntary contributions. The minimum annual contribution amount required for each voluntary contribution checkoff included on individual income tax returns filed during calendar year 2015 is \$19,000 in order for the checkoff to remain on the forms for subsequent years. 36 M.R.S. § 5283-A; PL 2011, c. 685, § 3.

Pine Tree Development Zones in Aroostook and Washington Counties. New law extends Pine Tree Development Zone benefits to call centers in Aroostook and Washington counties. A call center is a business that employs 50 or more new, full-time employees for the purpose of customer service. A call center employee's income derived from employment within the Pine Tree Development Zone, calculated on a weekly basis, must be greater than the average weekly wage for the most recent available calendar year derived from the quarterly census of employment and wages. Qualified employees must also meet retirement and health insurance requirements. 30-A M.R.S. § 5250-I and 36 M.R.S. § 6753; LD 767, PL 2015, c. 368.

Changes applicable to tax years beginning in 2016

Direct deposit refunds to NextGen Account. The provision of law requiring Maine Revenue Services to provide for the assignment of income tax refunds on income tax returns to the Maine College Savings Program administered by the Finance Authority of Maine is repealed. Applies to tax years beginning on or after January 1, 2016. 20-A M.R.S. § 11475(2); LD 1019, PL 2015, c. 267, Pt. DD § 1.

Sales tax on casual rentals of living quarters. In certain circumstances, the tax on casual rentals of living quarters may be reported on the individual income tax return. The sales tax rate on casual rentals of living quarters increases to 9% beginning January 1, 2016. 36 M.R.S. §§ 1811; LD 1019, PL 2015, c. 267, Pt. OOOO, § 5.

Tax rate schedules for tax years beginning in 2016. For tax years beginning in 2016, the 0%, 6.5% and 7.95% tax rate brackets are replaced with 5.8%, 6.75% and 7.15% tax rate brackets. The rate brackets for single filers is increased by 1.5 for head of household filers and by 2 for married taxpayers filing joint returns and surviving spouses. 36 M.R.S. § 5111; LD 1019, PL 2015, c. 267, Pt. DD §§ 2 through 7.

Standard deduction amount. For tax years beginning in 2016, the Maine standard deduction amount is equal to \$11,600 for individuals filing single and married persons filing separate returns; \$17,400 for unmarried or legally separated individuals filing as heads of household; and \$23,200 for married persons filing joint returns or surviving spouses. The additional standard deduction amount for age/blindness is equal to the additional federal standard deduction amount for age/blindness.

For tax years beginning after 2016, the single standard deduction amount will be adjusted for inflation. The standard deduction amount for unmarried or legally separated individuals filing as heads of household will be 1.5 times the single standard deduction and 2 times the single standard deduction for married taxpayers filing joint returns or surviving spouses. 36 M.R.S. §§ 5124-B and 5403(2); LD 1019, PL 2015, c. 267, Pt. DD, §§ 14 and 33.

Standard/itemized deduction phaseout. For tax years beginning on or after January 1, 2016, the law is changed to phase out the value of the standard deduction or itemized deduction, whichever applies, for taxpayers whose Maine adjusted gross income exceeds \$70,000 for single individuals and married persons filing separate returns, \$105,000 for individuals filing as heads of households, and \$140,000 for individuals filing married joint returns or as a surviving spouse. The deduction amount is fully phased out for taxpayers whose Maine adjusted gross income is more than \$145,000 for single individuals and married persons filing separate returns, \$217,500 for individuals filing as heads of household, and \$290,000 for individuals filing joint returns or as a surviving spouse. For tax years beginning in 2018 and each year thereafter, the \$70,000, \$105,000 and \$140,000 amounts will be adjusted for inflation. 36 M.R.S. §§ 5122(1)(JJ) and 5403(4); LD 1019, PL 2015, c. 267, Pt. DD, §§ 8 and 33.

Military pension income deduction. For tax years beginning on or after January 1, 2016,

benefits received under a military retirement plan, including survivor benefits, are fully exempt from Maine income tax. 36 M.R.S. § 5122(2)(M-2); LD 1019, PL 2015, c. 267, Pt. DD, § 10.

Subtraction for long-term care premiums. For tax years beginning on or after January 1, 2016, the income subtraction modification for long-term care premiums paid is repealed. 36 M.R.S. § 5122(2)(T); LD 1019, PL 2015, c. 267, Pt. DD, § 11.

Subtraction for contributions to 529 Plans. For tax years beginning on or after January 1, 2016, the income subtraction modification for contributions of up to \$250 per beneficiary to 529 college tuition plans is repealed. 36 M.R.S. § 5122(2)(Y); LD 1019, PL 2015, c. 267, Pt. DD, § 12.

Itemized deductions: charitable contributions. The provision of law previously enacted (PL 2013, c. 590) that allowed a taxpayer, for Maine itemized deductions, to claim up to \$18,000 in charitable contributions in excess of the Maine itemized deductions cap for tax years beginning in 2016 and to claim the total amount of charitable contributions included in federal itemized deductions for tax years beginning after 2016 is repealed. 36 M.R.S. § 5125(5); LD 1019, PL 2015, c. 267, Pt. DD, § 18.

Sales tax fairness income tax credit. For tax years beginning on or after January 1, 2016, low and middle income residents are allowed a refundable sales tax fairness credit. The credit may be claimed on Maine individual income tax returns. Income for purposes of the credit is equal to federal total income as reported on the individual's federal income tax return increased by nontaxable social security and railroad retirement benefits, tax exempt interest and certain business and capital losses. The amount of the base credit is \$100 to \$180, depending on the number of exemptions claimed on the taxpayer's return. The credit is phased out for taxpayers whose income exceeds \$20,000 for taxpayers filing single, \$30,000 for taxpayers filing as heads of household and \$40,000 for taxpayers filing married joint returns. The phaseout income thresholds are adjusted for inflation for tax years beginning after 2016. The credit does not apply to married individuals filing separate returns, individuals who are "safe-harbor" residents treated as nonresident individuals because they reside outside Maine for significant periods of time and individuals who are incarcerated and have no family members living in Maine. 36 M.R.S. §§ 5213-A and 5403(5); LD 1019, PL 2015, c.267, Pt. DD, §§ 19 and 33; LD 1452, PL 2015, c. 328, § 4.

Jobs and investment tax credit. For tax years beginning on or after January 1, 2016, the jobs and investment tax credit is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5215(6-C); LD 1019, PL 2015, c. 267, Pt. DD § 20.

Family development account credit. For tax years beginning on or after January 1, 2016, the credit for contributions to family development account reserve funds is repealed. 36 M.R.S. §§ 5216-C, 5125(3)(C), 5125(3)(E) and 5219-M(4)(C); LD 1019, PL 2015, c. 267, Pt. DD, §§ 17, 21 and 27.

Credit for employer-assisted day care. For tax years beginning on or after January 1, 2016, the credit for employer-assisted day care expenses is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5217(5); LD 1019, PL 2015, c. 267, Pt. DD, § 22.

Credit for employer-provided long-term care benefits. For tax years beginning on or after January 1, 2016, the credit for employer-provided long-term care benefits is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5217-C(4); LD 1019, PL 2015, c. 267, Pt. DD, § 23.

Educational opportunity tax credit. For tax years beginning on or after January 1, 2016, the bill expands the Maine educational opportunity tax credit to include qualified individuals who obtain an associate's degree or bachelor's degree after 2015 from a non-Maine community college, college or university, extends the credit to graduate degrees obtained from a Maine college or university after 2015, removes the requirement that a qualified individual maintain Maine residency while attending school, removes the restriction on refinanced and consolidated loans and makes the credit refundable for all associate degrees. 36 M.R.S. § 5217-D; LD 1019, PL 2015, c. 267, Pt. QQQ; LD 1452, PL 2015, c. 328, §§ 5, 6 and 7.

Child and dependent care credit. For tax years beginning on or after January 1, 2016, the credit for child and dependent care expenses is no longer refundable for nonresident taxpayers. 36 M.R.S. § 5218(4); LD 1019, PL 2015, c. 267, Pt. DD, § 24.

Adult dependent care credit. For tax years beginning on or after January 1, 2016, eligible taxpayers are allowed to claim a tax credit equal to 25% of the applicable percentage of adult dependent care expenses paid for adult day care, hospice services and respite care during the taxable year to the extent the expenses are not used to calculate the federal child and dependent care credit. The dependent care expenses that may be used to calculate the credit are limited to \$3,000 for one qualifying individual or \$6,000 for two or more qualifying individuals and the applicable percentage is the percentage used to calculate the federal child and dependent care credit. The credit for nonresidents is limited to the taxpayer's ratio of Maine source income to federal adjusted gross income. For part-year residents, the credit is prorated based on the ratio of the taxpayer's Maine income (Maine adjusted gross income during the period of Maine residency plus Maine source income during the period of nonresidency) to federal adjusted gross income. The credit is refundable up to \$500. 36 M.R.S. § 5218-A; LD 787, PL 2015, c. 340.

Credit for the elderly or disabled. For tax years beginning on or after January 1, 2016, the retirement and disability credit is repealed. 36 M.R.S. § 5219-A; LD 1019, PL 2015, c. 267, Pt. DD, § 25.

Forest management planning credit. For tax years beginning on or after January 1, 2016, the forest management planning income tax credit is repealed. 36 M.R.S. § 5219-C; LD 1019, PL 2015, c. 267, Pt. DD, § 26.

High-technology investment tax credit. For tax years beginning on or after January 1, 2016,

the high-technology investment tax credit is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5219-M(7); LD 1019, PL 2015, c. 267, Pt. DD, § 28.

Credit for dependent health benefits. For tax years beginning on or after January 1, 2016, the credit for dependent health benefits is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5219-O(5); LD 1019, PL 2015, c. 267, Pt. DD, § 29.

Quality child care investment credit. For tax years beginning on or after January 1, 2016, the quality child care investment credit is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5219-Q(5)); LD 1019, PL 2015, c. 267, Pt. DD, § 30.

Earned income tax credit. For tax years beginning on or after January 1, 2016, the earned income tax credit is fully refundable for Maine residents. The refundable credit is prorated for part-year residents. 36 M.R.S. § 5219-S(4); LD 1019, PL 2015, c. 267, Pt. DD, § 31; LD 1452, PL 2015, c. 328, § 8.

Credit for biofuel commercial production. For tax years beginning on or after January 1, 2016, the credit for biofuel commercial production is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5219-X(5); LD 1019, PL 2015, c. 267, Pt. DD, § 32.

Changes applicable to tax years beginning in 2017

Tax rate schedules for tax years beginning on or after January 1, 2017. For tax years beginning on or after January 1, 2017, the top tax bracket threshold is increased from \$37,500 to \$50,000 for single individuals and married persons filing separate returns; from \$56,250 to \$75,000 for unmarried individuals or legally separated individuals who qualify as heads of household; and, from \$75,000 to \$100,000 for married taxpayers filing joint returns and surviving spouses.

For tax years beginning after 2016, the lowest dollar amount of each tax rate schedule will be adjusted for inflation. For tax years beginning on or after January 1, 2018, the highest dollar amount of each tax rate schedule will be adjusted for inflation.

36 M.R.S. § 5111, sub-§§ 1-F, 2-F and 3-F and § 5403(1); LD 1019, PL 2015, c. 267, Pt. DD, §§ 3, 5, 7 and 33.

Sales tax fairness credit. For tax years beginning on or after January 1, 2017, the amount of the base credit is increased to \$125 to \$225, depending on the number of exemptions claimed on the taxpayer's return. The base credit amounts will be adjusted for inflation for tax years beginning after 2017. 36 M.R.S. §§ 5213-A and 5403(5); LD 1019, PL 2015, c.267, Pt. DD, §§ 19 and 33;

4) Fiduciary Income Tax

Changes applicable to tax years beginning in 2014

Bonus depreciation. For tax years beginning in 2014, Maine decouples from the federal bonus depreciation under IRC § 168(k). The net increase in federal depreciation claimed due to bonus depreciation must be added back to income for Maine income tax purposes. For property placed in service in Maine, the Maine capital investment credit is extended, with some modifications, for tax year 2014. In tax years after 2014, the addition modification related to property not subject to the Maine capital investment credit will be recaptured through subtraction modifications. 36 M.R.S. §§ 5122(1)(II) & 5122(2)(NN); LD 138, PL 2015, c. 1, §§ 4 & 7.

Maine capital investment credit. The Maine capital investment credit is extended to tax years beginning in 2014. The credit is equal to 9% of the bonus depreciation addition modification required under 36 M.R.S. § 5122(1)(II)(1) related to property placed in service in Maine. The credit does not apply to the Maine financial institutions franchise tax and is prohibited with respect to certain property. 36 M.R.S. § 5219-MM; LD 138, PL 2015, c. 1, § 14.

Changes applicable to tax years beginning in 2015

Tax rate schedules for tax year 2015. The tax rate schedules applicable to tax years beginning in 2014 also apply to tax years beginning in 2015. 36 M.R.S. § 5111, sub-§ 1-D; LD 1509, PL 2013, c. 368, Pt. Q.

Gains from the sale of timberlands. For tax years beginning on or after January 1, 2015, an income subtraction modification is provided in an amount equal to 6 2/3% of the gain realized on the sale of eligible timberlands held by the taxpayer for at least a ten-year period beginning on or after January 1, 2005. The modification is increased incrementally by 6 2/3 percentage points for each additional year beyond the tenth year the property is held by the taxpayer, up to 100%. The modification may not reduce Maine taxable income to less than zero; however, unused portions may be carried forward for up to ten years. 36 M.R.S. § 5122(2)(U); LD 1305, PL 2005, c. 416.

New markets capital investment credit. Any income recognized on a taxpayer's federal tax return from the new markets capital investment credit is subtracted from federal adjusted gross income for state income tax purposes. Because 2014 is the first tax year taxpayers could claim the refundable credit, tax year 2015 is the first year the subtraction modification is available. 36 M.R.S. § 5122(2)(KK); LD 1749, PL 2011, c. 644, § 19.

Pine Tree Development Zones in Aroostook and Washington Counties. New law extends Pine Tree Development Zone benefits to call centers in Aroostook and Washington counties. A

call center is a business that employs 50 or more new, full-time employees for the purpose of customer service. A call center employee's income derived from employment within the Pine Tree Development Zone, calculated on a weekly basis, must be greater than the average weekly wage for the most recent available calendar year derived from the quarterly census of employment and wages. Qualified employees must also meet retirement and health insurance requirements. 30-A M.R.S. § 5250-I and 36 M.R.S. § 6753; LD 767, PL 2015, c. 368.

Changes applicable to tax years beginning in 2016

Tax rate schedules for tax years beginning in 2016. For tax years beginning in 2016, the 0%, 6.5% and 7.95% tax rate brackets are replaced with 5.8%, 6.75% and 7.15% tax rate brackets. 36 M.R.S. § 5111; LD 1019, PL 2015, c. 267, Pt. DD, § 3.

Jobs and investment tax credit. For tax years beginning on or after January 1, 2016, the jobs and investment tax credit is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5215(6-C); LD 1019, PL 2015, c. 267, Pt. DD § 20.

Family development account credit. For tax years beginning on or after January 1, 2016, the credit for contributions to family development account reserve funds is repealed. 36 M.R.S. §§ 5216-C, 5125(3)(C), 5125(3)(E) and 5219-M(4)(C); LD 1019, PL 2015, c. 267, Pt. DD, §§ 17, 21 and 27.

Credit for employer-assisted day care. For tax years beginning on or after January 1, 2016, the credit for employer-assisted day care expenses is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5217(5); LD 1019, PL 2015, c. 267, Pt. DD, § 22.

Credit for employer-provided long-term care benefits. For tax years beginning on or after January 1, 2016, the credit for employer-provided long-term care benefits is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5217-C(4); LD 1019, PL 2015, c. 267, Pt. DD, § 23.

Forest management planning credit. For tax years beginning on or after January 1, 2016, the forest management planning income tax credit is repealed. 36 M.R.S. § 5219-C; LD 1019, PL 2015, c. 267, Pt. DD, § 26.

High-technology investment tax credit. For tax years beginning on or after January 1, 2016, the high-technology investment tax credit is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5219-M(7); LD 1019, PL 2015, c. 267, Pt. DD, § 28.

Credit for dependent health benefits. For tax years beginning on or after January 1, 2016, the credit for dependent health benefits is repealed except that unused credit amounts may be utilized

to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5219-O(5); LD 1019, PL 2015, c. 267, Pt. DD, § 29.

Quality child care investment credit. For tax years beginning on or after January 1, 2016, the quality child care investment credit is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5219-Q(5)); LD 1019, PL 2015, c. 267, Pt. DD, § 30.

Credit for biofuel commercial production. For tax years beginning on or after January 1, 2016, the credit for biofuel commercial production is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5219-X(5); LD 1019, PL 2015, c. 267, Pt. DD, § 32.

5) Corporate Income Tax

Changes applicable to tax years beginning in 2014

Bonus depreciation. For tax years beginning in 2014, Maine decouples from the federal bonus depreciation under IRC § 168(k). The net increase in federal depreciation claimed due to bonus depreciation must be added back to income for Maine income tax purposes. For property placed in service in Maine, the Maine capital investment credit is extended, with some modifications, for tax year 2014. In tax years after 2014, the addition modification related to property not subject to the Maine capital investment credit will be recaptured through subtraction modifications. 36 M.R.S. §§ 5200-A(1)(BB) & 5200-A(2)(Z); LD 138, PL 2015, c. 1, §§ 10 & 13.

Maine Capital Investment Credit. The Maine capital investment credit is extended to tax year 2014. The credit is equal to 9% of the bonus depreciation addition modification required under 36 M.R.S. § 5200-A(1)(BB)(1) related to property placed in service in Maine. The credit does not apply to the Maine financial institutions franchise tax and is prohibited with respect to certain property. 36 M.R.S. § 5219-MM; LD 138, PL 2015, c. 1, § 14.

Changes applicable to tax years beginning in 2015

Gains from the sale of timberlands. For tax years beginning on or after January 1, 2015, an income subtraction modification is provided in an amount equal to 6 2/3% of the gain realized on the sale of eligible timberlands held by the taxpayer for at least a ten-year period beginning on or after January 1, 2005. The modification is increased incrementally by 6 2/3 percentage points for each additional year beyond the tenth year the property is held by the taxpayer, up to 100%. The modification may not reduce Maine taxable income to less than zero; however, unused portions may be carried forward for up to ten years. 36 M.R.S. § 5200-A(2)(P); LD 1305, PL 2005, c. 416.

New markets capital investment credit. Any income recognized on a taxpayer's federal tax

return from the new markets capital investment credit is subtracted from federal taxable income for state income tax purposes. Because 2014 is the first tax year taxpayers could claim the refundable credit, tax year 2015 is the first year the subtraction modification is available. 36 M.R.S. § 5200-A(2)(X); LD 1749, PL 2011, c. 644, § 19.

Pine Tree Development Zones in Aroostook and Washington Counties. New law extends Pine Tree Development Zone benefits to call centers in Aroostook and Washington counties. A call center is a business that employs 50 or more new, full-time employees for the purpose of customer service. A call center employee's income derived from employment within the Pine Tree Development Zone, calculated on a weekly basis, must be greater than the average weekly wage for the most recent available calendar year derived from the quarterly census of employment and wages. Qualified employees must also meet retirement and health insurance requirements. 30-A M.R.S. § 5250-I and 36 M.R.S. § 6753; LD 767, PL 2015, c. 368.

Changes applicable to tax years beginning in 2016

Jobs and investment tax credit. For tax years beginning on or after 2016, the jobs and investment tax credit is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5215(6-C); LD 1019, PL 2015, c. 267, Pt. DD, § 20.

Family development account credit. For tax years beginning on or after January 1, 2016, the credit for contributions to family development account reserve funds is repealed. 36 M.R.S. §§ 5216-C, 5125(3)(C), 5125(3)(D), 5125(3)(E) and 5219-M(4)(C); LD 1019, PL 2015, c. 267, Pt. DD, §§ 21 and 27.

Credit for employer-assisted day care. For tax years beginning on or after January 1, 2016, the credit for employer-assisted day care expenses is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5217(5); LD 1019, PL 2015, c. 267, Pt. DD, § 22.

Credit for employer-provided long-term care benefits. For tax years beginning on or after January 1, 2016, the credit for employer-provided long-term care benefits is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5217-C(4); LD 1019, PL 2015, c. 267, Pt. DD, § 23.

High-technology investment tax credit. For tax years beginning on or after January 1, 2016, the high-technology investment tax credit is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5219-M(7); LD 1019, PL 2015, c. 267, Pt. DD, § 28.

Credit for dependent health benefits. For tax years beginning on or after January 1, 2016, the credit for dependent health benefits is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5219-

O(5); LD 1019, PL 2015, c. 267, Pt. DD, § 29.

Quality child care investment credit. For tax years beginning on or after January 1, 2016, the quality child care investment credit is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5219-Q(5)); LD 1019, PL 2015, c. 267, Pt. DD, § 30.

Credit for biofuel commercial production. For tax years beginning on or after January 1, 2016, the credit for biofuel commercial production is repealed except that unused credit amounts may be utilized to the fullest extent allowed by the carryforward provisions for the credit. 36 M.R.S. § 5219-X(5); LD 1019, PL 2015, c. 267, Pt. DD, § 32.

6) Estate Tax

Maine exclusion amount. For estates of decedent's dying on or after January 1, 2016, the Maine exclusion amount is indexed to the federal exclusion amount. The federal amount is calculated in accordance with the Code, Section 2010(c)(3). 36 M.R.S. § 4102(5); LD 1019, PL 2015, c. 267, Part I, § 1.

Imposition of tax. For estates of decedent's dying on or after January 1, 2016, the tax rate schedule is amended so as to apply to the taxable estate in excess of the applicable federal exclusion amount. 36 M.R.S. § 4103(1); LD 1019, PL 2015, c. 267, Part I, § 2.

7) Income Tax Withholding

Income tax withholding tables. The withholding tables applicable to tax years beginning in 2016, and each year thereafter, will be updated to reflect the changes in the individual income tax rate schedules and standard deduction amounts.

8) Sales/Use Tax

Tax rates. The current general sales tax rate of 5.5% remains in place, as does the current 8% rate on lodging, meals and liquor and the 10% rate on short-term automobile rentals. The tax rate on lodging increases from 8% to 9% on January 1, 2016. 36 M.R.S. §§ 1811; LD 1019, PL 2015, c. 267, Pt. OOOO, § 5.

New exemptions.

An exemption is enacted effective January 1, 2016 for 95% of the sale price of fuel purchased for use in certain greenhouse facilities; and effective October 1, 2015 exemptions are enacted for sales to certain veterans' support organizations and nonprofit library collaboratives. 36 M.R.S. §§1760(9-H), 1760(98) & 1760(99); LD 1019, PL 2015, c. 267, §KKKK-1 and §OOOO-4.

Grocery staples. The law makes various changes to the definition of “grocery staples” that effectively apply the sales tax to additional food products effective January 1, 2016. This will be explained in detail in revised Instruction Bulletins to be issued by MRS later this summer. 36 M.R.S. §§1752(3-B) & 1752(14-F); LD 1019, PL 2015, c. 267, §0000-2 and §0000-3.

Definition of “sale price”; carryout bags. Effective June 9th, 2015, any amount charged by a retailer for a paper or plastic single-use carryout bag is excluded from the definition of “sale price” and therefore not subject to the sales tax. 36 M.R.S. §1752(14)(B); LD 590, PL 2013, c. 150.

Other changes.

The exemption for certain fuels purchased for cooking and heating in residential buildings is amended to provide that the sale of any amount of wood pellets or firewood is presumed to be exempt from tax when the product is received by the purchaser at the retail location. 36 M.R.S. §1760(9); LD 1411, c. 300.

The provision imposing the sales tax on certain “casual sales” is amended to provide that the tax does not apply if the sale is to a trust and the seller is the owner of 50% or more of the ownership interest in the trust. The law also makes various other minor changes that will be explained in detail in revised Instruction Bulletins to be issued by MRS. 36 M.R.S. §1764; LD 1411, c. 300.

9) Service Provider Tax

Tax rate. The Service Provider Tax rate increases from 5% to 6% on January 1, 2016. 36 M.R.S. §2552(1); LD 1019, PL 2015, c. 267, §TTTT-3.

Expanded tax base. Effective January 1, 2016, the current exemptions for interstate and international telecommunications services are limited to sales to a business for use directly in that business, and the tax is extended to “basic” cable and satellite television services and to all satellite radio services. 36 M.R.S. §§ 2552(1), 2557(33) & 2557(34); LD 1019, PL 2015, c. 267, §§ TTTT-3 through TTTT-5.

New exemptions. Exemptions are enacted effective October 1, 2015 for sales to certain veterans’ support organizations and to nonprofit library collaboratives. 36 M.R.S. §§ 2557(37) & 2557(38); LD 1019, PL 2015, c. 267, §TTTT-8.

10) Fuel Tax

Off-Highway Refunds; claim deadline extended. Effective April 2, 2015, a person requesting a refund of fuel used for off-highway purposes may file a refund claim within 18 months from the date that the fuel was purchased. 36 M.R.S. §§2908, 3218; LD 238, PL 2015, c. 9.

11) Property Tax

Tax acquired property. The law has been amended to authorize a municipality to adopt an ordinance allowing the municipality that forecloses on residential real estate to return the excess funds to the party named on a tax lien mortgage at the time of the levy of a tax lien or that party's successors, heirs or assign, after subtracting the tax lien, interest, fees for recording the lien, costs of mailing notice, court costs, taxes that would have been assessed while the property was held by the municipality and any other expenses incurred in disposing of the real estate. The new provision also applies to the unorganized territory. Effective May, 8, 2015. 36 M.R.S. § 949; LD 118, c. 53.

Business Equipment Tax Reimbursement. The law now requires the State Tax Assessor to suspend reimbursement under the Business Equipment Tax Reimbursement program that would otherwise be issued if a taxpayer is delinquent in the payment of personal property taxes in the amount of \$10,000 or more to a single municipality. If the taxpayer does not pay the tax due by the end of the reimbursement application period, the taxpayer's eligibility for the suspended reimbursement is terminated. A certification by the municipal tax collector that the taxpayer is delinquent in the payment of personal property taxes must be made from July 1st to July 15th of the year for which the reimbursement is to be suspended. Effective October 15, 2015. 36 M.R.S. §§ 6656(1) & 6656(1-A); LD 279, c. 239.

Motor vehicle excise tax. The law now provides for a motor vehicle excise tax credit to be available when the owner has discontinued the use of the vehicle. Current law limits the credit to when the vehicle's ownership is transferred, the vehicle is totally lost by fire, theft or accident, or the vehicle is totally junked or abandoned. This law requires the owner of the vehicle to provide a signed statement attesting that use of the vehicle from which the credit is being transferred is totally discontinued and states that if the owner who has totally discontinued use of a vehicle later seeks to register that vehicle, no excise tax credits may be applied with respect to the registration of that vehicle or any subsequent transfer of that vehicle's registration. Effective October 15, 2015. 36 M.R.S. § 1482(5); LD 444; PL 2015, c. 87.

Motor vehicle excise tax. Currently, a public utility is required to pay excise tax for its motor vehicles to the municipality where its registered or main office is located while other partnerships and corporations pay excise tax in the place where the owner's registered or main office is located except when the owner has a permanent place of business where the vehicles are customarily kept. The law will require a public utility to pay excise tax to the municipality where the owner's registered or main office is located except when the owner has a permanent place of business where the vehicles are customarily kept in the same manner as other partnerships and corporations. Effective January 1, 2017. 36 M.R.S. §1484(3)(C); LD 514, PL 2015, c. 98.

Motor vehicle excise tax. The law currently allows for the adaptive equipment installed on a motor vehicle owned by a disabled person that makes the vehicle operable or accessible by a disabled person exempt from the motor vehicle excise tax. The law has been amended to allow

the same adaptive equipment that is installed on “for hire” vehicles to also be exempt. Effective June 30, 2015. 36 M.R.S. § 1483(15). LD 1019; PL 2015, c. 267.

Conveyance of state interest in certain real estate in the unorganized territory. This Resolve authorizes the State Tax Assessor to sell certain tax-acquired parcels located in the unorganized territory. Effective October 15, 2015. LD 1327, Resolves, 2015, c. 27.

Homestead Property Tax Exemption. Current law provides for a homestead exemption in the amount of \$10,000 with the State reimbursing municipalities at a rate of 50% of the lost revenue. Beginning in 2016, the homestead exemption will increase to \$15,000 with the State reimbursement continuing at 50%. In 2017, the homestead exemption will increase to \$20,000 with the State reimbursement rate of 50% on the first \$10,000 and 75% on the second \$10,000. Effective June 30, 2015. 36 M.R.S. §683; LD 1019, c. 267.

Veteran’s Exemption. The law was amended to remove the requirement that a Vietnam veteran serve on active duty for 180 days (any part of which must have occurred after February 27, 1961 and before May 8, 1975) in order to qualify for the exemption. The law now only requires that the veteran served on active duty after February 27, 1961 and before May 8, 1975, regardless of the number of days. Effective October 15, 2015. 36 M.R.S. § 653(1)(C); LD 170; PL 2015, c. 353.

Address Confidentiality Program. The law was amended to require that municipal assessors redact the names of individuals certified by the Secretary of State as a participant in the Address Confidentiality Program from the declaration of value form prior to disclosure. Effective October 15, 2015. 36 M.R.S. § 191(2)(K); LD 756; PL 2015, c. 313.